



Policy 28-Fixed Assets Policy

ADOPTION DATE: 7-1-2016

EFFECTIVE DATE: 7-1-2016

PURPOSE:

To define guidelines for the capitalization of purchases of land, buildings, land improvements, pipes, infrastructure, equipment and other materials.

POLICY STATEMENT:

Fixed assets consist of all capitalized assets with an estimated useful life of at least *one (1) year* and cost *\$1,000 or more*

PROCEDURE:

1 ... **Land** -- includes all real property owned by, purchased, or donated. When land is purchased, various incidental costs are generally incurred in addition to the purchase price. These additional costs may include commissions to real estate brokers, escrow fees, legal fees for examining and insuring the title, delinquent taxes paid by the purchaser, and fees for surveying, draining, clearing, and grading the property. All these expenditures become part of the cost of land.

From time to time land may be purchased as a building site for the Utility that contains older buildings or other structures that are not suitable for the Utility's use; in this case, the only useful "asset" being acquired is the land. Therefore, *the entire purchase price is charged to the Land account, along with the costs of tearing down and removing the unusable building.*

Land purchased and held as an investment should not be classified as "Land", but as "Land Held for Investment".

2 ... **Buildings** -- include all structures and buildings owned by the Utility, either constructed, purchased or donated, and any building improvements costing *\$10,000* or more.

3 ... **Land Improvements** -- include all improvements to land owned by the Utility costing more than *\$5,000*. Improvements to land such as driveways, fences, parking lots, landscaping, and

sprinkler systems have limited life and are therefore subject to depreciation. For this reason they should be recorded in a separate account entitled "Land Improvements".

5 ... **Equipment** -- is defined as any movable property i.e., machinery, vehicles, computers and furniture costing at least **\$1,000** and is not a replacement part. Component items that form one working equipment system are combined for capitalization purposes. The "system" definition applies to computer configurations, electronic & laboratory equipment and other portable equipment. Additions to equipment that become either component parts or permanently connected to existing equipment items are also defined as equipment and should be capitalized, regardless of cost. The cost of repairs should be capitalized if such repairs "significantly extend the life of the asset".

Equipment Inventory

All equipment having Utility property numbers shall be inventoried annually according to the Utility's policy. Department heads are responsible for conducting an inventory of all tagged equipment regardless of acquisition method (purchase, transfer, and donation). The individual conducting the physical inventory should identify items that are missing, were sold, traded-in, discarded, or transferred to other departments. The individual conducting the inventory should not be the same individual that is responsible for the assets being inventoried.

Depreciation

All fixed assets shall be depreciated at cost on a straight-line basis using estimated useful lives as follows:

<i>Buildings, pipes</i>	<i>40-50 years</i>
<i>Land improvements</i>	<i>20-50 years</i>
<i>Infrastructure</i>	<i>20-50 years</i>
<i>Equipment</i>	<i>5-10 years</i>
<i>Vehicles</i>	<i>3-5 years</i>
<i>Computers/ electronics equipment</i>	<i>3-5 years</i>